

# **COMMUNITY DEVELOPMENT BLOCK GRANTS AND THE CITY OF SAN LUIS OBISPO**

## **SUMMARY**

The San Luis Obispo Grand Jury received a citizen complaint regarding expenditures of Community Development Block Grant funds at Judson Terrace Homes, a low-income senior housing complex in the City of San Luis Obispo. The complaint also questioned whether certain portions of funded projects were completed. The City of San Luis Obispo Community Development Department has oversight responsibilities for Community Development Block Grants that are awarded for projects within the city. The Grand Jury investigation determined that the grant oversight procedures implemented by the City of San Luis Obispo are generally satisfactory. However, the city's supervision regarding contractor activities and responsibilities on the Judson Terrace Homes project could have been better.

## **METHOD**

As part of its investigation, the Grand Jury:

- Reviewed the rules and regulations concerning the Community Development Block Grant Program
- Reviewed contracts and invoices between Judson Terrace Homes and their contractors and sub-contractors for the projects in question
- Reviewed Title 24: Housing and Urban Development, Block Grant eligible activities
- Reviewed the Judson Terrace Homes block grant application that was approved in 2008
- Inspected Judson Terrace Homes and projects funded by the block grant in question

- Interviewed the complainant, a resident of Judson Terrace Homes
- Interviewed staff of the City of San Luis Obispo Community Development Department
- Interviewed the Judson Terrace Homes administrator

## **NARRATIVE**

The Community Development Block Grant (Block Grant) Program is one of the longest-running programs funded through the Department of Housing and Urban Development (HUD). Under this program, the Federal Government funds local community development activities such as affordable housing. The City of San Luis Obispo's Community Development Department is responsible for overseeing the Block Grant Program.

Located in the City of San Luis Obispo, Judson Terrace Homes is a low-income, affordable housing community that serves the elderly. This low-income housing community is comprised of 107 apartments where all residents are at least 62 years of age and whose primary incomes are from Social Security.

On October 30, 2006, Judson Terrace Homes submitted a Block Grant application to the City of San Luis Obispo requesting 2007 funds in the amount of \$81,867 for four projects which included:

1. Replacement of 6 laundry doors
2. An upgrade to a more sophisticated smoke detection system
3. Repairs to portions of the sidewalk that presented a potential tripping hazard to the elderly residents
4. Replacement and installation of 18 wall heaters

The application stated that the benefits of the projects were "health, safety and security" for the residents. The application went through the city's review process which included approval by the city council. An agreement between the city and Judson Terrace Homes providing Block Grant funds for the four projects was signed on July 22, 2008.

The laundry door and smoke detector projects were completed in May 2009.

The sidewalk repairs were completed in January 2009. However, the citizen complaint received by the Grand Jury alleged that portions of the sidewalk were not repaired and questioned the City's process in releasing funds for payment to the contractor. Investigation by the Grand Jury determined that the contracted sidewalk repair had been properly completed. Other portions of sidewalks within Judson Terrace are in need of repair, but these areas were not part of the approved project.

Additionally, the contractor chosen to do the sidewalk repair utilized a sub-contractor for the cement work. As the result of a HUD audit, it was discovered that the sub-contractor had paid his employees less than the prevailing wage – a violation of Block Grant regulations.<sup>1</sup> A city planner contacted Judson Terrace officials notifying them of the violation and alerting them that the city would withhold funds for replacement and installation of the 18 wall heaters until the 'prevailing wage' issue was resolved. Judson Terrace officials agreed and as a further precaution, Judson Terrace hired an independent labor consultant to insure that proper procedures and protocol were adhered to in paying the affected workers any additional monies owed them.

As of April 1, 2010, the 'prevailing wage' violation was still in the process of being resolved and replacement of the 18 wall heaters was still "on hold."

An official of the City's Community Development Department stated that the burden of insuring compliance with the 'prevailing wage' requirement, also known as the Davis-Bacon and Related Acts (DBRA), falls on the recipient, which in this case is Judson Terrace Homes. However the official also recognized that the city should not rely solely on the expertise of recipients and that additional safeguards were needed. The community development department has recommended the following changes to insure future compliance:

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<sup>1</sup> Prevailing wages are established, by the Department of Labor & Industries, for each trade and occupation employed in the performance of public work. HUD mandates that all projects funded by the Community Development Block Grant Program must pay wages no lower than the prevailing wage.

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- Section 21 of the city's standard Block Grant agreement will be amended to include a direct reference to Federal prevailing wage and procurement requirements before any new contracts are approved.
- The county of San Luis Obispo staff person responsible for reviewing annual Block Grant applications was asked to include the prevailing wage requirement on the application form to alert future applicants.
- Appropriate portions of the city's website will be updated to include specific information about grant recipient responsibilities relative to Federal DBRA.

## **FINDINGS**

1. The complaint regarding the accountability of Block Grant expenditures appears to be due more to limited communication and a lack of understanding than from improprieties by the city's community development department.
2. The community development department has addressed the 'prevailing wage' issue and will implement corrective actions to help prevent recurring problems.
3. The community development department responded promptly to resolve compliance issues.

## **RECOMMENDATION**

1. The city's community development department should take advantage of training opportunities facilitated by the County of San Luis Obispo regarding the Community Development Block Grant Program.

2. The city's community development department should immediately implement the changes they proposed to help prevent future Block Grant violations.
3. The city's community development department should actively monitor current Block Grant activity at Judson Terrace Homes until the current prevailing wage issue has been resolved and the 18 wall heaters have been installed.
4. Recipients of Block Grant funds for specific projects should, when appropriate, be encouraged to communicate project scope and timeline information to potentially affected community members.

## REQUIRED RESPONSES

**The San Luis Obispo City Council** is required to respond to Recommendations 1, 2, 3 and 4. The responses shall be submitted to the Presiding Judge of the San Luis Obispo Superior Court by **August 4, 2010**. Please provide a copy of all responses to the Grand Jury as well.

**The San Luis Obispo City Community Development Department** is required to respond to Recommendations 1, 2, 3 and 4. The responses shall be submitted to the Presiding Judge of the San Luis Obispo Superior Court by **July 5, 2010**. Please provide a copy of all responses to the Grand Jury as well.

**The Judson Terrace Homes Administrator** is required to respond to Recommendations 3 and 4. The responses shall be submitted to the Presiding Judge of the San Luis Obispo Superior Court by **August 4, 2010**. Please provide a copy of all responses to the Grand Jury as well.

The mailing addresses for delivery are:

Presiding Judge	Grand Jury
Presiding Judge Charles S. Crandall Superior Court of California 1050 Monterey Street San Luis Obispo, CA 93408	San Luis Obispo County Grand Jury P.O. Box 4910 San Luis Obispo, CA 93402